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IS AN INHERENTLY DISTINCTIVE TRADE DRESS
PROTECTABLE UNDER § 43(A) WITHOUT HAVING
ACQUIRED A SECONDARY MEANING? *Two Pesos, Inc. v.
Taco Cabana, Inc.*, 112 S.Ct. 2753 (1992), *rehearing denied*,
113 S.Ct. 20 (1992).

Fariba Soroosh*

INTRODUCTION

On June 26, 1992, the Supreme Court unanimously held that inherently distinctive trade dress¹ is protectable under Section 43(a)² of the Lanham Act³ [hereinafter the Act], without a showing that it has acquired a secondary meaning.⁴ In affirming the Fifth Circuit's decision, the High Court followed that Circuit's reasoning that trade dress should be protected by the same principles applicable to trademarks because they both serve "the same statutory pur-

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1. In defining trade dress, the Court adopted the Fifth and Eleventh Circuits' definitions. The Fifth Circuit "quoted from *Blue Bell Bio-Medical v. Cin-Bad, Inc.*, 864 F.2d 1253, 1256 (5th Cir. 1989): 'The "trade dress" of a product is essentially its total image and overall appearance.' *Id.* See [*Taco Cabana Int'l, Inc. v. Two Pesos, Inc.*], 932 F.2d 1113, 1118 (5th Cir. 1991)." *Two Pesos, Inc. v. Taco Cabana, Inc.*, 112 S.Ct. 2753, 2755 n.1 (1992), *rehearing denied*, 113 S.Ct. 20 (1992).

The Eleventh Circuit has stated that trade dress "involves the total image of a product and may include features such as size, shape, color or color combinations, texture, graphics, or even particular sales techniques" (quoting *John H. Harland Co. v. Clarke Checks, Inc.*, 711 F.2d 966, 980 (11th Cir. 1983)). *Id.*

2. 15 U.S.C. § 1125(a) (1982). The Court considered the version of the code prior to the 1988 amendments. It provides:

Any person who shall affix, apply, or annex, or use in connection with any goods or services, or any container or containers for goods, a false designation of origin, or any false description or representation, including words or other symbols tending falsely to describe or represent the same, and shall cause such goods or services to enter into commerce, and any person who shall with knowledge of the falsity of such designation of origin or description or representation cause or procure the same to be transported or used in commerce or deliver the same to any carrier to be transported or used, shall be liable to a civil action by any person doing business in the locality falsely indicated as that of origin or in the region in which said locality is situated, or by any person who believes that he is or is likely to be damaged by the use of any such false description or representation.

Two Pesos, 112 S.Ct. at 2761 n.1 (quoting 15 U.S.C. § 1125(a) (1982 ed.)).

3. 15 U.S.C. §§ 1051-1127 (1982).

4. *Two Pesos*, 112 S.Ct. at 2753.

pose of preventing deception and unfair competition."⁵ Justice Byron White wrote the opinion joined by six other members of the Court, Justices Stevens and Thomas filed separate concurring opinions, and Justice Scalia concurred with the majority and with Justice Thomas's opinion.

The holding in this case, granting trade dress protection to the particular motif of a restaurant chain, is significant for several reasons. First, the Court resolved a conflict among the Courts of Appeals and determined that § 43(a) does not impose a blanket secondary meaning requirement for trade dress protection. This case sets forth the rule that a distinctive trade dress should get the same treatment as a distinctive trademark under § 43(a). Hence, protection is granted when a particular mark or dress is either inherently distinctive⁶ or has become sufficiently distinctive through acquiring a secondary meaning⁷.

Second, the Court declared that the Fifth Circuit had been correct in applying trademark analysis to trade dress, because there is no textual basis for treating the two differently. The protection of both is necessary in achieving legislative purposes behind the Lanham Act.⁸

Finally, the Court rejected petitioner's argument that a new inherently distinctive dress that has not attained a secondary meaning be given temporary protection, to be terminated if a secondary meaning is not achieved over time. The Court reasoned that if a trade dress is granted protection in the first place without having a secondary meaning, then it must be inherently distinctive and capable of identifying its source. Such a dress deserves continued protection without regard to its ability to succeed in the market and attain a secondary meaning.

BACKGROUND

Taco Cabana, respondent, opened its first restaurant in San Antonio, Texas, in 1978. Customer response to this Mexican res-

5. *Id.* at 2755.

6. An inherently distinctive trade dress is capable of identifying a product or service's source because of its intrinsic nature. *Id.* at 2757.

7. "Secondary meaning is used generally to indicate that a mark or dress 'has come through use to be uniquely associated with a specific source.'" *Id.* at 2756 n.4 (quoting RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 13, Cmt. e (Tentative Draft No. 2, 1990)).

8. *Two Pesos, Inc. v. Taco Cabana, Inc.*, 112 S.Ct. 2753, 2755 (1992), *rehearing denied*, 113 S.Ct. 20 (1992).

taurant with its festive motif⁹ was so favorable that by 1985, respondent had opened five more restaurants in the San Antonio area.

Two Pesos, petitioner, opened its first restaurant in December 1985, in Houston. Petitioner's atmosphere and decor were very similar to that of the respondent. Petitioner expanded rapidly in Houston and other Texas cities, but did not enter the San Antonio area. In 1986, respondent started to expand into other markets, including Austin, Dallas, El Paso and Houston, where petitioner was also doing business.

In 1987, respondent sued petitioner in the United States District Court for the Southern District of Texas¹⁰ for trade dress infringement under § 43(a), and for theft of trade secrets under the Texas common law¹¹. Respondent claimed that it had a trade dress that was protectable under § 43(a) from its inception, "i.e., an elaborate, consistently maintained combination of structural and decor elements that give it a consistent look."¹²

A jury trial ensued, in which the jury was instructed to return its verdict in the form of answers to five questions. "The jury's answers were: Taco Cabana has a trade dress;¹³ taken as a whole, the trade dress is non-functional;¹⁴ the trade dress is inherently distinc-

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9. The respondent described its Mexican trade dress as a festive eating atmosphere having interior dining and patio areas decorated with artifacts, bright colors, paintings and murals. The patio includes interior and exterior areas with the interior patio capable of being sealed off from the outside patio by overhead garage doors. The stepped exterior of the building is a festive and vivid color scheme using top border paint and neon stripes. Bright awnings and umbrellas continue the theme.

Id.

10. *Taco Cabana International, Inc. and Taco Cabana, Inc. v. Two Pesos, Inc.*, No. H-87-0026, 1988 U.S. Dist. LEXIS 16068 (S.D. Texas 1988).

11. On this issue the jury concluded that Two Pesos had misappropriated Taco Cabana's trade secrets, and the Fifth Circuit affirmed. *Taco Cabana Int'l, Inc. v. Two Pesos, Inc.*, 932 F.2d at 1124. Petitioner did not appeal this decision.

12. *Briefs Are Filed in Mexican Restaurant Trade Dress Case*, PAT. TRADEMARK & COPYRIGHT J. (BNA), No. 1077, at 523 (April 16, 1992).

13. The District Court instructed the jury: "'Trade dress' is the total image of the business. Taco Cabana's trade dress may include the shape and general appearance of the exterior of the restaurant, the identifying sign, the interior kitchen floor plan, the decor, the menu, the equipment used to serve food, the servers' uniforms and other features reflecting on the total image of the restaurant.'" *Two Pesos, Inc. v. Taco Cabana, Inc.*, 112 S.Ct. 2753, 2754 n.1 (1992).

14. Respondent's dress would be functional if, as a whole, it was essential to the very nature of being a Mexican restaurant. "The Fifth Circuit holds that a design is legally functional, and thus unprotectable, if it is one of a limited number of equally efficient options available to competitors and free competition would be unduly hindered by according the design trademark protection." *Id.* at 2760 (citing *Sicilia Di R. Biebow & Co. v. Cox*, 732 F.2d 417, 429 (5th Cir. 1984)).

tive; the trade dress has not acquired a secondary meaning in the Texas market; and the alleged infringement creates a likelihood of confusion on the part of ordinary customers as to the source or association of the restaurant's goods or services."¹⁵ Since the jury was instructed that Taco Cabana's trade dress would be protectable if it had either acquired a secondary meaning or was inherently distinctive, judgment was entered for Taco Cabana. The trial court awarded Taco Cabana \$2.8 million in damages¹⁶, and "held that Two Pesos had intentionally and deliberately infringed Taco Cabana's trade dress."¹⁷

On appeal, petitioner argued that the jury's finding of no secondary meaning contradicted their finding of inherent distinctiveness.¹⁸ According to petitioner, what Taco Cabana had was a broad and functional business concept which did not come under the limited protection of trade dress.¹⁹ Petitioner further argued that if such a concept is granted trade dress protection, it should only be for a limited time.²⁰ If no secondary meaning is attained during this time, protection should cease and aggressive competitors should be allowed to expand in the market using the same business concept.²¹ The Fifth Circuit rejected petitioner's argument, and affirmed the District Court's judgment.

The Fifth Circuit specifically noted that their approach in this case was in conflict with the Second Circuit.²² The Supreme Court granted certiorari "to resolve a conflict among the Courts of Appeals on the question of whether trade dress which is inherently distinctive is protectable under § 43(a) without a showing that it has acquired secondary meaning."²³

15. *Two Pesos*, at 2756. In deciding this case, the Supreme Court assumed that the jury was correct in their findings. *Id.* at 2758.

16. *Taco Cabana Int'l, Inc. v. Two Pesos, Inc.*, 932 F.2d 1113, 1117 (5th Cir. 1991). In calculating this figure, the District Court doubled the damages award and granted attorney's fees. See *Inherently Distinctive Trade Dress Is Protectable Without Secondary Meaning*, PAT. TRADEMARK & COPYRIGHT J. (BNA), No. 1088, at 213 (July 2, 1992).

17. *Two Pesos*, 112 S.Ct. at 2756. The Fifth Circuit agreed with this holding stating that "[t]he weight of the evidence persuades us. . . that Two Pesos brazenly copied Taco Cabana's successful trade dress, and proceeded to expand in a manner that foreclosed several important markets within Taco Cabana's natural zone of expansion." *Id.* 2756 at n.5 (quoting *Two Pesos*, 932 F.2d at 1127 n.20). This holding seems to have only affected the amount of damages awarded to respondent, and did not have any bearing on the High Court's analysis and holding.

18. *Two Pesos*, 112 S.Ct. at 2754.

19. See *Briefs Filed in Mexican Restaurant Trade Dress Case*, *supra* note 12.

20. *Two Pesos*, 112 S.Ct. at 2754.

21. *Id.*

22. *Id.* at 2756.

23. *Id.* at 2757 (citing 112 S.Ct. 964 (1992)). The Court noted that certiorari was not

DISCUSSION

The Second Circuit Approach Rejected

In *Vibrant Sales, Inc. v. New Body Boutique, Inc.*²⁴, the Second Circuit held that “§ 43(a) protects unregistered trademarks or designs only where secondary meaning is shown.”²⁵ That Court did not adopt the view that an “unregistered mark was capable of identifying a source and that copying such a mark could be making any kind of false statement or representation under § 43(a).”²⁶ The rationale underlying their decision was that “unregistered marks did not enjoy the presumptive source association enjoyed by registered marks and hence could not qualify for protection under § 43(a) without proof of secondary meaning.”²⁷ Although this Circuit later altered its position and waived the secondary meaning requirement for nondescriptive suggestive marks²⁸, they have continued to impose such a requirement on trade dress under § 43(a).²⁹

The Supreme Court rejected this approach because, as Justice White noted, it was “in considerable tension with the provisions of the Act.”³⁰ The Court reasoned that since section 2³¹ of the Act, which sets out trademark registrability requirements only requires a secondary meaning for descriptive marks, there must be marks

being granted “on the second question presented by the petition, which challenged the Court of Appeals’ acceptance of the jury’s finding that Taco Cabana’s trade dress was not functional.” *Id.* at 2757 n.6.

24. 652 F.2d 299 (2d Cir. 1981), *cert. denied*, 455 U.S. 909 (1982).

25. *Two Pesos, Inc. v. Taco Cabana, Inc.*, 112 S.Ct. 2753, 2756 (1992) (citing *Chevron Chemical Co. v. Voluntary Purchasing Groups, Inc.*, 659 F.2d 695 (5th Cir. 1981)).

26. *Id.* at 2759.

27. *Id.* (citing *Vibrant Sales, Inc. v. New Body Boutique, Inc.*, 652 F.2d 299, 303 (2d Cir. 1981)).

28. *Thompson Medical Co. v. Pfizer, Inc.*, 753 F.2d 208 (2d Cir. 1985).

29. *Two Pesos*, 112 S.Ct. at 2759-60.

30. *Id.* at 2759.

31. 15 U.S.C. § 1052. This section sets out circumstances under which a trademark would not be registrable. Only two subsections are at issue in this case:

No Trade mark by which the goods of the applicant may be distinguished from the goods of others shall be refused registration on the principal register on account of its nature unless it

(e) Consists of a mark which, (1) when used on or in connection with the goods of the applicant is merely descriptive or deceptively misdescriptive of them, or (2) when used on or in connection with the goods of the applicant is primarily geographically descriptive or deceptively misdescriptive of them, except as indications of regional origin may be registrable under section 1054 of this title, or (3) is primarily merely a surname.

(f) Except as expressly excluded in paragraphs (a)-(d) of this section, nothing in this chapter shall prevent the registration of a mark used by the applicant which has become distinctive of the applicant’s goods in commerce. . . .

15 U.S.C. § 1052 (1992).

(such as distinctive ones) that qualify without having a secondary meaning.³² The Court also stated that "These same marks, even if not registered, remain inherently capable of distinguishing the goods of the users of these marks."³³

The Court found support in other Circuits that follow the approach used by the Fifth Circuit. The Ninth Circuit, for example, has held that if the dress is inherently distinctive, proof of secondary meaning is then needless.³⁴

Fifth Circuit Approach Adopted

In affirming the Fifth Circuit's judgment, the High Court approved of, and adopted, that Circuit's approach to trade dress protection under § 43(a). "The Fifth Circuit was quite right in *Chevron*³⁵, and in this case, to follow the *Abercrombie* classifications³⁶ consistently and to inquire whether trade dress for which protection is claimed under § 43(a) is inherently distinctive."³⁷

The analysis is therefore two fold; first, the mark or dress has to qualify for registration³⁸ under § 2 of the Act; and second, it has to be examined under § 43(a) for non-functionality and likelihood of confusion.³⁹ The second step is straight forward, the first one deserves a detailed discussion.

In *Abercrombie & Fitch Co. v. Hunting World, Inc.*⁴⁰, Judge Friendly set out what was to become the traditional trademark reg-

32. *Two Pesos*, 112 S.Ct. at 2759.

33. *Id.*, see 15 U.S.C. § 1052(f) *supra* note 31.

34. *Two Pesos*, 112 S.Ct. at 2760 (citing *Fuddruckers, Inc. v. Doc's B.R. Others, Inc.*, 826 F.2d 837, 843 (9th Cir. 1987)). See also *Ambrit, Inc. v. Kraft, Inc.*, 805 F.2d 974 (11th Cir. 1986) (The Eleventh Circuit followed the Fifth Circuit approach in *Chevron*, *infra* note 35); *Excerpts From The United States Trademark Association's Amicus Brief in Two Pesos*. . . , 82 THE TRADEMARK REPORTER 440 (May-June 1992) (the United States Trademark Association supports the Fifth Circuit's position that inherently distinctive trade dress may be protected without proof of secondary meaning).

35. *Chevron Chemical Co. v. Voluntary Purchasing Groups, Inc.*, 659 F.2d 695 (5th Cir. 1981).

36. See discussion *infra* pp. 10-12.

37. *Two Pesos*, 112 S.Ct. at 2760.

38. The Court stated that actual registration is not required for protection under § 43(a). They reaffirmed the position taken earlier in *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*, 456 U.S. 844 (1982), that § 43(a) "prohibits a broader range of practices than does § 32 [15 U.S.C. § 1114], which is applied to registered trademarks. . . ." *Two Pesos*, 112 S.Ct. at 2757 (quoting *Inwood*, *supra* at 858). The Court went on to say that "it is common ground that § 43(a) protects qualifying unregistered trademarks and that the general principles qualifying a mark for registration under § 2 of the Lanham Act are for the most part applicable in determining whether an unregistered mark is entitled to protection under § 43(a)." *Two Pesos*, 112 S.Ct. at 2757.

39. *Two Pesos*, 112 S.Ct. at 2758.

40. 537 F.2d 4 (2d Cir. 1976).

istrability analysis under § 2. According to this classic formulation, trademarks are usually classified in categories of increasing distinctiveness.⁴¹ “[T]hey may be (1) generic; (2) descriptive; (3) suggestive; (4) arbitrary; or (5) fanciful.”⁴² The latter three categories are entitled to registration because they are inherently distinctive, that is, “their intrinsic nature serves to identify a particular source of a product.”⁴³ Conversely, marks that “refer to the genus of which the particular product is a species,” or generic marks, are not registerable.⁴⁴ In between these two extremes, there exists the descriptive mark category, into which the respondent’s dress fell.

Pursuant to § 2(e) of the Lanham Act, purely descriptive marks are not registerable because they do not identify the particular source, but merely describe the product.⁴⁵ However, § 2(f) of the Act provides that descriptive marks that have “become distinctive of the applicant’s goods in commerce” are registerable.⁴⁶ The Supreme Court in *Taco Pesos*, in harmony with the Fifth Circuit, held that this general rule, usually applicable only to trademarks, should also be applied to trade dress protection cases.⁴⁷ Justice White cited the most recent definition of distinctiveness as “an identifying mark [that] either (1) is inherently distinctive or (2) has acquired distinctiveness through secondary meaning.”⁴⁸

The Court reasoned that an inherently distinctive trade dress is also capable of identifying its source,⁴⁹ and that “the protection of trade dress serves the same statutory purpose of preventing deception and unfair competition.”⁵⁰ Furthermore, the Court considered it important that there was no textual basis in § 43(a) either mentioning the concept of secondary meaning, or supporting the different treatment of marks and dresses.⁵¹ The only specific requirements for protection under this section, and the second part of the analysis, is establishing non-functionality and lack of likelihood of confusion among consumers.⁵² Additionally, the Court foresaw

41. *Two Pesos*, 112 S.Ct. at 2757 (citing *Abercrombie & Fitch* 537 F.2d 4).

42. *Two Pesos*, 112 S.Ct. at 2757.

43. *Id.*

44. *Id.* (quoting *Park’N Fly, Inc. v. Dollar Park and Fly, Inc.*, 469 U.S. 189, 194 (1985)).

45. *Id.*

46. 15 U.S.C. § 1052(f), *supra* note 31.

47. *Two Pesos*, 112 S.Ct. at 2760.

48. *Id.* at 2758 (quoting RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 13, pp. 37-38, and comment a (Tent.Draft No. 2, Mar. 23, 1990)).

49. *Id.* at 2754.

50. *Id.* at 2760.

51. *Id.*

52. *Id.* at 2758.

the adverse effects of imposing a blanket secondary meaning requirement on all inherently distinctive trade dress, and was extremely concerned about its anti-competitive effects.

The Court disfavored imposing such a requirement because it would be contradictory to the free enterprise ideology that underlaid the Constitutional basis of trademark protection. It would also undermine the legislative intent behind the Act. In regard to this, the court stated:

Protection of trade dress, no less than of trademarks, serves the Act's purpose to secure the owner of the mark the goodwill of his business and to protect the ability of consumers to distinguish among competing producers. National protection of trademarks is desirable, Congress concluded, because trademarks foster competition and the maintenance of quality by securing to the producer the benefits of good reputation.⁵³ By making more difficult the identification of a producer with its product, a secondary meaning requirement for a nondescriptive trade dress would hinder improving or maintaining the producer's competitive position.⁵⁴

Petitioner's Limited Protection Argument Rejected

The Court rejected petitioner's proposal that a distinctive trade dress be granted temporary protection at the outset subject to termination if secondary meaning is not attained over time. The Court held that there was no textual basis in § 43(a) for this concept. Using the Fifth Circuit's reasoning, the Supreme Court stated that "[i]f temporary protection is available from the earliest use of the trade dress, it must be because it is neither functional nor descriptive but an inherently distinctive dress that is capable of identifying a particular source of the product."⁵⁵ The Court felt that lack of market success and consumer recognition over an unspecified period of time were not valid bases for discontinuing protection.⁵⁶ "The user of such a trade dress should be able to maintain what competitive position it has and continue to seek wider identification among potential consumers."⁵⁷

Some analysts see this holding as a sign that the Supreme

53. *Id.* at 2760 (quoting *Park'N Fly, Inc. v. Dollar Park and Fly, Inc.*, 469 U.S. 189, 198 (1985)).

54. *Two Pesos, Inc. v. Taco Cabana, Inc.*, 112 S.Ct. 2753, 2760 (1992), *rehearing denied*, 113 S.Ct. 20 (1992).

55. *Id.* at 2759.

56. *Id.*

57. *Id.*

Court recognized the doctrine of "secondary meaning in the making."⁵⁸ This doctrine aims at protecting an inherently distinctive trade dress that has not yet been identified by the public as belonging to a certain proprietor. Hence, trade dress originators would have the chance to build up their reputation and compete in new markets, while being protected against imitators who would deter competition and expansion. The Court believed that an opposite holding would discourage start-up companies from entering the market, knowing that their original, nonfunctional and inherently distinctive trade dress would not be protected absent enough consumer recognition for a secondary meaning.⁵⁹

CONCURRING OPINIONS

Justice Stevens agreed with the majority's conclusion, but maintained that there was no textual support for that decision in § 43(a). Instead the holding was the logical result of the gradual transformation of the meaning of § 43(a) by the Federal Courts, and was well supported by Congress's codification of these changes through recent amendments to the Act.⁶⁰

In light of the general consensus among the Courts of Appeals that have actually addressed the question, and the steps on the part of Congress to codify that consensus, stare decisis concerns persuade me to join the Court's conclusion that secondary meaning is not required to establish a trade dress violation under § 43(a) once inherent distinctiveness has been established.⁶¹

Justice Thomas also concurred with the judgment of the Court, but believed that the decision was well grounded in the common law, codified by Congress in § 43(a).⁶² Furthermore, he believed that the majority's analysis and interpretation of § 2, would lead to the misconstruction of that statute.⁶³ Justice Scalia filed a concurring statement stating that although he joined the opinion of the Court, he was in complete agreement with Justice Thomas's analy-

58. See Howard R. Popper, *A Tale of Tacos and Trade Dress*, NEW JERSEY L. J., August 17, 1992, at 14. "Prior to *Taco Cabana*, the doctrine had been applied. . . in *Jolly Good Industries, Inc. v. Elegra, Inc.*, 690 F.Supp. 227 (S.D.N.Y. 1988), but had been put into doubt by the Federal Circuit in. . . *Cicena Ltd. v. Colombia Telecommunications Group*, (CAFC 1990)." *Id.* According to the article, the doctrine was finally rejected by the Second Circuit in *Laureysens v. Idea Group, Inc.*, (May 15, 1992). "*Taco Cabana* would seem to overrule. . . *Cicena Ltd.*. . . as well as. . . *Laureysens*. . ." *Id.*

59. *Two Pesos*, 112 S.Ct. at 2759.

60. *Id.* at 2761-2766.

61. *Id.* at 2765.

62. *Id.* at 2766-67.

63. *Id.* at 2766.

sis which was complementary to the Majority's opinion.⁶⁴

CONCLUSION

Pursuant to this ruling, trade dresses enjoy the same protection as trademarks under § 43(a). Additionally, the Court removed registration as a prerequisite to protection under the Act, and replaced it with a registrability requirement. Hence, first the mark or dress must be registerable under § 2 by being either inherently distinctive or having attained a secondary meaning. Second, if registerable, the analysis shifts to § 43(a) and the mark or dress must be non-functional and unlikely to create confusion among the consuming public.

The Supreme Court aimed at giving effect to the legislative purposes behind the Act of preventing deception and unfair competition. Since both trade dress and trademarks perform the same source identifying function and achieve the purposes of the Act, protection of both under a uniform federal standard is necessary and logical. This decision provides a clear guideline as to exactly what kind of trade dress is protected for both new start-ups desiring to gain trade dress protection and competitors who would like to enter the market using a similar idea. There are no anti-competitive effects because if the dress is functional, descriptive, or generic, it will not be protected.

64. *Two Pesos*, 112 S.Ct. at 2761.